

**MONTAGUE TOWNSHIP**  
**Muskegon County, Montague, Michigan**  
**Audit Report**  
**For Year Ended June 30, 2004**

**NICHOLAS D. LAHR**  
Certified Public Accountant  
198 North Michigan Avenue  
Shelby, Michigan 49455  
Phone: (231) 861-4786  
Fax: (231) 861-6481

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Montague</b>	County <b>Muskegon</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>12/13/04</b>	Date Accountant Report Submitted to State: <b>12/26/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name)

**Nicholas D. Lahr, CPA**

Street Address

**198 N. Michigan**

City

**Shelby**

State

**MI**

ZIP

**49455**

Accountant Signature

Date

**12/26/04**

**Montague Township**  
**Township Board**  
**June 30, 2004**

Supervisor	Rudolph Klaus
Clerk	Wesley Weesies
Treasurer	Jeffrey King
Trustee	Bill VanFrank
Trustee	Glen Lipka

**Montague Township**  
**Muskegon County, Michigan**  
**June 30, 2004**

**Contents**

	<b><u>Page</u></b>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
<b><u>General Purpose Financial Statements</u></b>	
Exhibit I – Combined Balance Sheet - All Fund Types	2
Exhibit II – Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	3
Exhibit III – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund Type	4
<b><u>Notes to Financial Statements</u></b>	<b>5 - 9</b>
<b>SUPPLEMENTAL INFORMATION</b>	
Exhibit IV – Statement of Revenues, Expenditures, and Changes in Fund Balance – June 30, 2003	10

**NICHOLAS D. LAHR**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**Shelby, MI 49455**  
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**E-Mail: ndlahr@yahoo.com**

December 13, 2004

Local Audit and Finance Division  
Michigan Department of Treasury  
430 West Allegan 4<sup>th</sup> Floor  
Lansing Michigan 48922

Re: Montague Township, Muskegon County  
Audit as of June 30, 2004

Dear Sir or Madam:

This report on auditing procedures is written pursuant to Section 7 (2) of the Public Act 2, P.A. of 1968, as amended. We have made an examination of the financial statements of the above-mentioned local unit of government. Our opinion, dated December 23, 2004, with respect to these statements is included in our accountant's report submitted to you under date of December 23, 2004.

In connection with the foregoing examination, we have complied with the minimum requirements as outlined in your publication, "Bulletin for the Audits of Local Units of Government in Michigan" (BUGSLUG), as revised.

In accordance with the provisions of P.A. 275 of 1980, as amended, there are no accumulated deficits in the various fund balances of the above local unit, other than as disclosed in the financial statements including the notes thereto. In addition, we found no substantive instances of noncompliance with the provisions of P.A. 2 of 1968 (the Uniform Accounting and Budgeting Act) as amended, other than as disclosed in the financial statements including the notes thereto, or as described in the report of comments and recommendations as prescribed by the reporting guidelines for instances of noncompliance included in Appendix B of the BUFALUG manual.

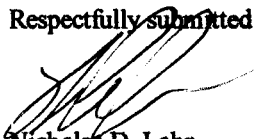
I hereby state and affirm that I am a certified public accountant registered to practice in the State of Michigan and an independent insofar as that term is defined in our profession.

We did not issue a report of comments and recommendations.

In our accountant's report for the local unit, which covered the period mentioned above, we have expressed an unqualified opinion.

In the last previous accountant's report for the local unit, which covered the period July 1, 2001 to June 30, 2002, and unqualified opinion was expressed.

Respectfully submitted

  
Nicholas D. Lahr  
Certified Public Accountant

**NICHOLAS D. LAHR**  
**CERTIFIED PUBLIC ACCOUNTANT**

**MEMBER**  
**Michigan Association of**  
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December 13, 2004

Board of Directors  
Montague Township  
Muskegon County  
Montague, MI 49437

**INDEPENDENT AUDITOR'S REPORT**

We have audited the general purpose financial statements for the Montague Township as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included to conform to generally accepted accounting principles. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purposes financial statements referred to above present fairly, in all material respects, the financial position of Montague Township, Muskegon County, Michigan, as of June 30, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements as a whole. The supplementary information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the general purpose financial statements of Montague Township, Muskegon County, as of and for the year ended June 30, 2004. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements as a whole.

Respectfully submitted,

  
Nicholas D. Lahr

Certified Public Accountant

**Montague Township**  
**Combined Balance Sheet**  
**All Fund Types**  
**June 30, 2004**

**Exhibit I**

	<b>Governmental Fund Types</b>	<b>Fiduciary Funds</b>	<b>Long Term Debt Group</b>	<b>Total (Memo Only)</b>
	<b>General Fund Balance</b>	<b>Trust &amp; Agency Fund</b>		
<b>ASSETS</b>				
Cash & Cash Equivalents (Note 2)	\$ 118,988	\$ 7,183	\$ - 0 -	\$ 126,172
Property & Equipment (Note 3A)	- 0 -	- 0 -	- 0 -	- 0 -
Amount Provided for Long Term Debt (Note.....)	- 0 -	- 0 -	210,886	210,886
<b>TOTAL ASSETS</b>	<b><u>\$ 118,988</u></b>	<b><u>\$ 7,183</u></b>	<b><u>\$ 210,886</u></b>	<b><u>\$ 337,058</u></b>
<b>LIABILITIES</b>				
Notes Payable	- 0 -	- 0 -	210,886	210,886
<b>FUND EQUITY</b>				
Fund Balance	118,988	7,183	- 0 -	126,171
<b>TOTAL FUND EQUITY</b>	<b><u>\$ 118,988</u></b>	<b><u>\$ 7,183</u></b>	<b><u>\$ 210,886</u></b>	<b><u>\$ 337,057</u></b>

The Notes to the Financial Statements are an integral part of this statement

**Montague Township**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**For Year Ended June 30, 2004**

**Exhibit II**

	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 60,945
License & Permits	2,350
Charges for Services	11,750
State Revenue Sharing	112,961
Interest	876
Other Revenue	27,458
<b>TOTAL REVENUES</b>	<u>216,339</u>
<b>EXPENDITURES</b>	
Legislative (TWP Board)	9,239
General Government	
Supervisor	14,324
Treasurer	19,457
Assessor	13,478
Clerk	17,272
Board of Review	696
Elections	0
Building & Grounds	32,908
Cemetery	0
Other Governmental Services	20,322
Interest	9,865
Public Safety	
Fire Protection	44,255
Zoning	22,010
Public Works	
Solid Waste Authority	1,375
Highways & Streets	14,247
Sewer & Water	3,588
Recreation and Culture	
Township Parks	23,930
<b>TOTAL EXPENDITURES</b>	<u>246,966</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(30,626)
<b>Other Financing Sources (Uses)</b>	0
Long Term Debt Reduction	(14,947)
<b>Fund Balance July 1, 2003</b>	<u>164,562</u>
<b>Fund Balance June 30, 2004</b>	<u><u>\$ 118,988</u></u>

The Notes to the Financial Statements are an integral part of this statement

**Montague Township**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – General Fund Types**  
**For Year Ended June 30, 2004**

**Exhibit III**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property Taxes	\$ 62,300	\$ 60,945	\$ (1,355)
License & Permits	600	2,350	1,750
Charges for Services	11,400	11,750	350
State Revenue Sharing	120,373	112,961	(7,412)
Interest	2,250	876	(1,374)
Other Revenue	49,839	27,458	(22,382)
<b>TOTAL REVENUES</b>	<u>246,762</u>	<u>216,339</u>	<u>(30,423)</u>
<b>EXPENDITURES</b>			
Legislative (TWP Board)	9,200	9,239	39
General Government			
Supervisor	14,850	14,324	(526)
Treasurer	21,950	19,457	(2,493)
Assessor	10,000	13,478	3,478
Clerk	17,600	17,272	(328)
Board of Review	1,075	696	(379)
Elections	670	0	(670)
Building & Grounds	19,000	32,908	13,908
Cemetery	100	0	(100)
Other Governmental Services	19,725	20,322	597
Interest	9,865	9,865	0
Public Safety			
Fire Protection	44,255	44,255	0
Zoning	8,350	22,010	13,660
Public Works			
Solid Waste Authority	1,525	1,375	(150)
Highways & Streets	16,000	14,247	(1,753)
Sewer & Water	4,500	3,588	(913)
Recreation and Culture			
Township Parks	33,150	23,930	(9,220)
<b>TOTAL EXPENDITURES</b>	<u>\$ 231,815</u>	<u>\$ 246,966</u>	<u>\$ 15,151</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	14,947	(30,626)	(45,574)
<b>Other Financing Sources (Uses)</b>			
Long Term Debt Reduction	(14,947)	(14,947)	0
<b>Fund Balance July 1, 2003</b>		<u>164,562</u>	
<b>Fund Balance June 30, 2004</b>		<u><u>\$ 118,988</u></u>	

The Notes to the Financial Statements are an integral part of this statement

**Montague Township**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity:**

The reporting entity is a common law township as defined by the laws of the State of Michigan. The Township is governed by the Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and
2. has the ability to impose its will on the organization, or there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria; however, no additional organizations or entities are included in these financial statements.

**B. Basis of Presentation:**

The accounts of the township are organized on the basis of funds and account groups, each of which is a separate accounting equity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements of this report, into two generic fund types and two broad fund categories.

**Governmental Fund Type**

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

**Fiduciary Fund Types**

Agency Funds – These funds are used to account for assets held in trust or as an agent for others. The Township maintains a Tax Collection Fund.

**Montague Township**  
Notes to the Financial Statements  
June 30, 2004

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**C. Measurement Focus:**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a summary of measurable and available resources.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of measurable and available resources.

**D. Basis of Accounting:**

All governmental funds utilize the modified accrual basis of accounting as described by GASB Statement #1. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivable when measurable and as revenue when available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, and operating transfers. Expenditures are recorded when the liability is incurred.

**E. Budgets and Budgetary Accounting:**

The General Fund is under formal budgetary control. Budgets shown in the financial statements for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Amendments to the budget are based upon actual and expected expenditures.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

**F. Cash Equivalents:**

For purposes of the statement of cash flow, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

**G. Property Tax Recognition:**

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28 before they are added to the County delinquent rolls.

**Montague Township**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**H. Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; and disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**I. Financial Instruments:**

It is the Township's policy to not require collateral for financial instruments subject to off balance sheet credit risk. Any losses incurred on financial instruments due to nonperformance of other parties to the instruments would approximate the carrying values as of the balance sheet date.

**J. Risk Management:**

The Township is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**K. Total Column:**

The total column on the financial statements is captioned (Memo Only) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS**

**A. Legal or Contractual Provisions for Deposits and Investments:**

The Michigan Political Subdivision Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the township by resolution, may authorize the Treasurer to invest surplus funds as follows:

- 1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- 2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which is a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Administration; but only if the bank, savings and loan association, or credit union complies with Subsection (2) of the above mentioned Acts.

**Montague Township**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS - continued**

The account balances for Montague Township in CoAmerica Bank are \$124,645 and the account balances in Shelby State Bank are \$1,527.

- 3) In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standards rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of the funds may be invested in commercial paper at any time.
- 4) In United States government or federal agency obligation repurchase agreements.

**NOTE 3 – PROPERTY TAXES**

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year and are due before February 14. The Township's adjusted tax value is \$39,038,077 and the millage rate is 2.1880 mills.

**NOTE 4 – DETAIL NOTES ON ALL FUND AND ACCOUNT GROUPS**

**A. Long-term Debt**

The township has a note payable to Shelby State Bank due May 16, 2005. The interest rate is 5.00% with interest only payments with a balloon payment at maturity.

**B. Post-Employment Benefit Plans**

The township had no defined pension or post-employment benefit plan as of June 30, 2004.

**C. Accumulated Unpaid Employees Benefits**

The Township had no Accumulated Unpaid Employee Benefits at June 30, 2004.

**D. Risk Financing and Related Insurance**

The Township participates in a commercial insurance plan provided by JW Ryan Underwriting and a workman compensation plan provided by the Accident Fund of Michigan. As of June 30, 2004 there were no known claims against the Township.

**E. Deferred Compensation**

The Township had no Deferred Compensation liability as of June 30, 2004.

**Montague Township**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 4 – DETAIL NOTES ON ALL FUND AND ACCOUNT GROUPS – continued**

**F. Pension Retirement Provision**

The Township has a defined pension plan with Manufacturer's Life Insurance Company. The total payroll for the year ended June 30, 2004 was \$63,378 and the total covered payroll was \$48,800. The total cost to the Township for the year was \$5,600 and the plan was fully funded at June 30, 2004.

**SUPPLEMENTAL INFORMATION**

**Montague Township**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For Year Ended June 30, 2003**

**Exhibit IV**

	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 57,751
License & Permits	575
Charges for Services	11,314
State Revenue Sharing	121,318
Interest	1,558
Other Revenue	2,841
<b>TOTAL REVENUES</b>	<u>195,358</u>
<b>EXPENDITURES</b>	
Legislative (TWP Board)	7,894
General Government	
Supervisor	12,914
Treasurer	16,456
Assessor	7,747
Clerk	16,346
Board of Review	2,186
Elections	1,593
Building & Grounds	13,864
Cemetery	50
Other Governmental Services	19,216
Interest	13,348
Public Safety	
Fire Protection	39,915
Zoning	6,728
Public Works	
Solid Waste Authority	1,358
Highways & Streets	9,791
Sewer & Water	3,588
Recreation and Culture	
Township Parks	14,601
<b>TOTAL EXPENDITURES</b>	<u>187,594</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	7,764
<b>Other Financing Sources (Uses)</b>	
Reduction of Debt	(11,464)
<b>Fund Balance July 1, 2002</b>	<u>168,262</u>
<b>Fund Balance June 30, 2003</b>	<u><u>\$ 164,562</u></u>

The Notes to the Financial Statements are an integral part of this statement